


GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: JUL 13 2006

SUBJECT: Fiscal Impact Statement: "Organ and Bone Marrow Donor Act of 2006."

REFERENCE: Bill Number 16-701 (Draft Committee Print, June 13, 2006)

Conclusion

Funds are not sufficient in the FY 2007 through FY 2010 budget and financial plan to implement the proposed legislation. The proposed legislation would result in a negative fiscal impact on the local General Fund of \$273,600 in FY 2007 and an overall impact of \$691,700 for FY 2007 through FY 2010.

Background

The proposed legislation would provide a tax credit to private sector employers who offer paid leave to employees who are organ and/or bone marrow donors. Employers who provide a paid leave of absence of up to a maximum of 30 days for organ donors and up to a maximum of 7 days for bone marrow donors may claim a nonrefundable credit equal to 25 percent of the donor's regular salary or wages (for the duration of the absence) against the employer's business franchise tax liability. If an employer chooses to take the credit, the employer would not be allowed to deduct the amount on which the credit is calculated as wage and salaries deduction expenses. The legislation would not reduce the business franchise tax liability of \$100 required under Title 47-1807.

Financial Plan Impact

Funds are not sufficient in the FY 2007 through FY 2010 budget and financial plan to implement the proposed legislation. The fiscal impact of this legislation will depend on the extent of participation by eligible businesses and the number of donors. Because the number of likely donors in the District is relatively small – averaging about 195 per year in the past five years – this credit is not likely to generate a large negative fiscal impact on the District. This estimate is based on the assumption that the number of donors in 2007 is 185 (five percent and ten percent growth in organ and bone marrow donors, respectively, from the 2006 estimate) and rises by the same percentages per year through 2010.¹ In addition to the cost of the credit, there are administrative costs associated with changing income tax forms to include this credit and to conduct audits in succeeding years.

It is estimated that the proposed organ and bone marrow donor tax credits will reduce income tax collections by an estimated \$66,600 in FY 2007 and \$313,700 in FY 2007 through FY 2010. The table in Figure 1 illustrates the estimated revenue impact of the credit on the District's financial plan.

Figure 1.

Estimated Reductions in Income Tax Collections (S in thousands)					
Item	FY 2007	FY 2008	FY 2009	FY 2010	4 - Year Total
Organ and Bone Marrow Tax Credit	(\$66.6)	(\$74.0)	(\$82.1)	(\$91.0)	(\$313.7)

The Office of Tax and Revenue (OTR) will require additional resources in order to implement the provisions of the proposed legislation. An additional \$207,000 will be required for programming, staff, form changes, and mailing in FY 2007 to process the newly established credit. OTR will also require an additional \$57,000 per year in FY 2007 through FY 2010 for ongoing audit and form costs. The table in Figure 2 presents the current estimate of operational costs associated with implementing the proposed legislation.

Figure 2.

Estimated Unbudgeted Operational Impacts (S in thousands)					
Item	FY 2007	FY 2008	FY 2009	FY 2010	4 - Year Total
Systemic Changes, Audits, & Forms	(\$207.0)	(\$57.0)	(\$57.0)	(\$57.0)	(\$378.0)

¹ Data on organ donors in D.C. are from U.S. Department of Health and Human Services, Organ Procurement and Transplantation Network. Data on bone marrow donors are from the National Marrow Donor Program and from information provided by the collection center at the National Institutes of Health, Rockville, Maryland.

The proposed legislation would result in a negative fiscal impact on the local General Fund of \$273,600 in FY 2007 and an overall impact of \$691,700 for FY 2007 through FY 2010 as illustrated in the summary table in Figure 3.

Figure 3.

Summary Table					
Estimated Impacts to the Financial Plan					
(\$ in thousands)					
Item	FY 2007	FY 2008	FY 2009	FY 2010	4 - Year Total
Reduced Revenue Collections	(\$66.6)	(\$74.0)	(\$82.1)	(\$91.0)	(\$313.7)
Unbudgeted Operational Burden	(\$207.0)	(\$57.0)	(\$57.0)	(\$57.0)	(\$378.0)
Net Annual Impact	(\$273.6)	(\$131.0)	(\$139.1)	(\$148.0)	(\$691.7)